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BEFORE THE ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission

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BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
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SUSAN BITTER SMITH

DOCKET NO. T-01072A-13-0412

ORIGINAL

PROCEDURAL ORDER

IN THE MATTER OF THE APPLICATION OF
SOUTHWESTERN TELEPHONE COMPANY, AN
ARIZONA CORPORATION, FOR A HEARING
TO DETERMINE THE EARNINGS OF THE
COMPANY, THE FAIR VALUE OF THE
COMPANY FOR RATEMAKING PURPOSES,
AND TO INCREASE RESIDENTIAL RATES AS
NECESSARY TO COMPENSATE FOR THE RATE
IMPACTS OF THE FCC'S USF/ICC
TRANSFORMATION ORDER.

BY THE COMMISSION:

By Procedural Order dated July 1, 2014, Southwestern Telephone Company ("Southwestern") and the Arizona Corporation Commission's ("Commission") Utilities Division ("Staff") were directed to file updated recommendations in light of the FCC's June 10, 2014 release of its *Seventh Reconsideration Order* which granted a waiver of the provision that would cut high cost loop support for carriers if their rates are \$14 or higher as of June 1, 2014, and established a phase-in schedule for residential floor rates that must be in effect in order to preserve current levels of high cost loop support.¹

On July 31, 2014, Southwestern and Staff filed their updated recommendations in this matter. Both parties are recommending that the Commission adopt the following residential access rates and effective implementation dates without further hearing in this matter: \$16 by December 1, 2014; \$18 by June 1, 2016; and \$20 by June 1, 2017.

Prior to the FCC's *Seventh Reconsideration Order*, Southwestern was recommending that the Commission adopt a residential rate of \$20.46, and Staff was recommending a rate of \$19.00 to be

¹ Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, *Seventh Order on Reconsideration and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90, WT Docket No. 10-208, WC Docket No. 14-58, WC Docket No. 07-135, CC Docket No. 01-92, Released June 10, 2014 ("Seventh Reconsideration Order") at ¶ 80.

1 effective June 1, 2014. The exhibits admitted in the record reflect the parties' positions at the time
 2 and prior to the FCC's June 10, 2014 Order. In order to have a complete and accurate record,
 3 Southwestern should update its schedules to show the pro forma effects on revenues if residential
 4 access rates are increased to \$16, \$18 and \$20, and to also show the effect on operations if residential
 5 rates remain at \$14/month and the federal benchmark is \$16, \$18 and \$20/ month;² and shall update
 6 the exhibit that shows a typical residential rate at the requested rates.

7 In its Staff Report, Staff analyzed the application as filed, using a residential local exchange
 8 access rate of \$19.00. Staff opined that compared to the Company's total revenues, the impact on
 9 revenues from an increase to \$19.00 would be small and any impact on the return on Southwestern's
 10 FVRB would be de minimus.³ Staff then provided its reasons for believing that its recommended
 11 rates (i.e. up to \$19.00) are just, fair and reasonable, and necessary. In its July 31, 2014 update, Staff
 12 recommends adopting the lower of \$16, \$18, and \$20 or the FCC's benchmark floor to be phased-in
 13 over time. Given these revised recommendations, Staff is requested to clarify its reasons for
 14 concluding that the revised rates and phase-in schedule are just, fair and reasonable. Similarly, given
 15 that the revised requested rates are lower than the Company originally requested and would be
 16 phased-in, the Company is also requested to confirm that the revised rates and phase-in would result
 17 in just, fair and reasonable rates, and provide the basis for its conclusion.

18 IT IS THEREFORE ORDERED that **the parties shall file updated schedules and clarifying**
 19 **statements, as discussed herein, as soon as they can, but no later than August 29, 2014.**

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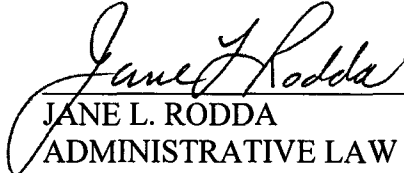
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27 ² E.g., the expected effect on operating income from the increase in revenue attributed to the higher monthly charges, and
 how much will be foregone in high cost loop support if rates are not increased to the benchmark and the resultant effect
 on operating income.

28 ³ Staff Report at 5.

1 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
2 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
3 hearing.

4 DATED this 7th day of August, 2014.


5
6 
7 JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

8 Copies of the foregoing mailed/delivered
9 this 7th day of August, 2014, to:

10 Craig A. Marks
11 Craig A Marks, PLC
12 10645 N. Tatum Blvd, Ste. 200-676
13 Phoenix, AZ 85028
14 Attorney for Southwestern Telephone Co.

15 Janice Alward, Chief Counsel
16 Legal Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, AZ 85007

20 Steven M. Olea, Director
21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, AZ 85007

25 By: 
26 Rebecca Unquera
27 Assistant to Jane L. Rodda
28